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Aviator Nation, Inc. and Paige Mycoskie

UNITED STATES DISTRICT COURT
DISTRICT OF OREGON
PORTLAND DIVISION

ADIDAS AMERICA, INC., an Oregon
corporation; and ADIDAS AG, a foreign
entity,

Plaintiffs,

v.

AVIATOR NATION, INC., a California
corporation; and PAIGE MYCOSKIE, a
resident of Texas,

Defendants.

Case No. 3:24-cv-00740-AN

**ANSWER AND AFFIRMATIVE
DEFENSES TO PLAINTIFFS ADIDAS
AMERICA, INC. AND ADIDAS AG'S
FIRST AMENDED COMPLAINT;
COUNTERCLAIMS FOR BREACH
OF CONTRACT AND
DECLARATORY RELIEF**

DEMAND FOR JURY TRIAL

| | |
|---|--------------------|
| AVIATOR NATION, INC., a California corporation, | |
| | Counterclaimant, |
| v. | |
| ADIDAS AMERICA, INC., an Oregon corporation; and ADIDAS AG, a foreign entity, | |
| | Counterdefendants. |

Defendants Aviator Nation, Inc. (“Aviator Nation”) and Paige Mycoskie (collectively, “Defendants”) hereby answer the First Amended Complaint (“Complaint”) on file in this action. Aviator Nation adds a counterclaim against Plaintiffs adidas America, Inc. and adidas AG (collectively, “adidas”).

ANSWER

Defendants hereby answer the Complaint on file in this action as follows:

1. In answer to paragraph 1 of the Complaint, Defendants admit that the registrations, applications and their corresponding file histories for federal trademarks speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 1 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.
2. Defendants deny the allegations contained in paragraph 2 of the Complaint.
3. In answer to paragraph 3 of the Complaint, Defendants admit that the agreements speak for themselves and that Paige Mycoskie is Aviator Nation’s CEO. Defendants deny the remaining allegations contained in paragraph 3 of the Complaint.
4. In answer to paragraph 4 of the Complaint, Defendants admit that the agreements and podcast interview speak for themselves. Defendants deny the remaining allegations contained in paragraph 4 of the Complaint.
5. Defendants deny the allegations contained in paragraph 5 of the Complaint.

6. In answer to paragraph 6 of the Complaint, Defendants admit that the agreements speak for themselves. Defendants deny the remaining allegations contained in paragraph 6 of the Complaint.

7. Defendants admit that the agreements speak for themselves. Defendants deny the remaining allegations contained in paragraph 7 of the Complaint.

8. Defendants deny the allegations contained in paragraph 8 of the Complaint.

9. In answer to paragraph 9 of the Complaint, Defendants admit that the agreement speaks for itself, the parties participated in a mediation, were unable to mediate their dispute to resolution, and that all parties and their counsel participated in that mediation remotely. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 9 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

10. In answer to paragraph 10 of the Complaint, Defendants admit that the Complaint speaks for itself. To the extent adidas makes any factual allegations in paragraph 10, they are denied.

PARTIES

11. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 11 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

12. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 12 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

13. Defendants admit the allegations contained in paragraph 13 of the Complaint.

14. Defendants admit the allegations contained in paragraph 14 of the Complaint.

JURISDICTION AND VENUE

15. Defendants admit the allegations contained in paragraph 15 of the Complaint.

16. Defendants admit that Aviator Nation has sold apparel to persons within the State of Oregon and deny the remaining allegations contained in paragraph 16 of the Complaint, but do not contest personal jurisdiction in this action.

17. Defendants deny the allegations contained in paragraph 17 of the Complaint, but do not contest personal jurisdiction in this action.

18. Defendants deny the allegations contained in Paragraph 18 of the Complaint, but do not contest laying venue in this District in this action.

FACTS COMMON TO ALL CLAIMS FOR RELIEF

A. adidas's Allegedly Famous Three-Stripe Mark.

19. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 19 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

20. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 20 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

21. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 21 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

22. In answer to paragraph 22 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 22 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

23. In answer to paragraph 23 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 23 of the

Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

24. In answer to paragraph 24 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 24 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

25. In answer to paragraph 25 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 25 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

26. In answer to paragraph 26 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 26 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

27. In answer to paragraph 27 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 27 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

28. In answer to paragraph 28 of the Complaint, Defendants admit that the registrations and file histories at the USPTO speak for themselves. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 28 of the

Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

29. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 29 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

30. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 30 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

31. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 31 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

32. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 32 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

33. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 33 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

34. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 34 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

35. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 35 of the Complaint including its subparts and, basing their denial on that ground, deny each and every allegation therein.

36. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 36 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

37. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 37 of the Complaint including its subparts and, basing their denial on that ground, deny each and every allegation therein.

38. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 38 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

B. Aviator Nation's Prior Alleged Infringement and the 2012 And 2013 Settlement Agreements.

39. In answer to paragraph 39 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 39 of the Complaint.

40. In answer to paragraph 40 of the Complaint, Defendants admit that adidas communicated its objections to Aviator Nation regarding certain of Aviator Nation's apparel designs. Defendants deny the remaining allegations of paragraph 40 of the Complaint, including that those designs were infringing.

41. In answer to paragraph 41 of the Complaint, Defendants admit that the agreement speaks for itself. Defendants deny the remaining allegations contained in paragraph 41 of the Complaint.

42. In answer to paragraph 42 of the Complaint, Defendants admit that the agreement speaks for itself. Defendants deny the remaining allegations contained in paragraph 42 of the Complaint.

43. In answer to paragraph 43 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation

regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 43 of the Complaint.

44. In answer to paragraph 44 of the Complaint, Defendants admit that the January 2013 Agreement speaks for itself and that adidas communicated its objections to Aviator Nation regarding certain of Aviator Nation's apparel designs. Defendants deny the remaining allegations in paragraph 44 of the Complaint, including that those designs were infringing.

45. In answer to paragraph 45 of the Complaint, Defendants admit that the agreement speaks for itself. Defendants deny the remaining allegations in paragraph 45 of the Complaint.

C. The Parties' 2022 Agreement and the Present Dispute.

46. In answer to paragraph 46 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 46 of the Complaint.

47. In answer to paragraph 47 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 47 of the Complaint.

48. In answer to paragraph 48 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 48 of the Complaint.

49. In answer to paragraph 49 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly

became aware of and when and, basing their denial on that ground, deny each and every allegation regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 49 of the Complaint.

50. In answer to paragraph 50 of the Complaint, Defendants admit that the complaint in the 2019 Lawsuit speaks for itself and that Aviator Nation's counsel engaged in discussions and exchanges with adidas' counsel intermittently, with large gaps in between, regarding certain of adidas' allegations made in that complaint. Defendants deny the remaining allegations of paragraph 50 of the Complaint.

51. In answer to paragraph 51 of the Complaint, Defendants admit that the 2022 Agreement speaks for itself.

52. In answer to paragraph 52 of Complaint, Defendants admit that the 2022 Agreement speaks for itself and that it was reached after a mediation and negotiations between the parties to the 2019 Lawsuit, however, the remainder of paragraph 52 calls for a legal conclusion. To the extent paragraph 52 makes any further factual allegations, they are denied.

53. In answer to paragraph 53 of the Complaint, Defendants admit that the 2022 Agreement speaks for itself. To the extent paragraph 53 makes any further factual allegations, they are denied.

54. In answer to paragraph 54 of the Complaint, Defendants admit that the 2022 Agreement speaks for itself. To the extent paragraph 54 makes any further factual allegations, they are denied.

55. In answer to paragraph 55 of the Complaint, Defendants deny that Ms. Mycoskie was a party to the 2022 Agreement. Defendants deny the remaining allegations contained in paragraph 55.

56. In answer to paragraph 56 of the Complaint, Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations about what adidas allegedly became aware of and when and, basing their denial on that ground, deny each and every allegation

regarding such awareness therein. Defendants deny the remaining allegations contained in paragraph 56 of the Complaint.

57. In answer to paragraph 57 of the Complaint, Defendants admit that the 2022 Agreement speaks for itself. Defendants deny the remaining allegations of paragraph 57 of the Complaint.

58. In answer to paragraph 58 of the Complaint, Defendants admit that the 2022 Agreement speaks for itself. Defendants deny the remaining allegations of paragraph 58 of the Complaint.

59. Defendants deny the allegations contained in paragraph 59 of the Complaint.

60. In answer to paragraph 60 of the Complaint, Defendants admit the 2022 Agreement includes safe harbors and denies those safe harbors are narrow. Defendants deny the remaining allegations contained in paragraph 60 of the Complaint.

61. Defendants deny the allegations contained in paragraph 61 of the Complaint.

62. Defendants deny the allegations contained in paragraph 62 of the Complaint.

63. Defendants deny the allegations contained in paragraph 63 of the Complaint.

64. In answer to paragraph 64 of the Complaint, Defendants admit Aviator Nation's clothing is not designed, manufactured, produced, distributed, marketed, promoted, offered for sale, or sold by adidas, and further admits that it is not associated, affiliated or connected with adidas. Defendants deny the remaining allegations in paragraph 64 of the Complaint.

65. In answer to paragraph 65 of the Complaint, Defendants deny infringement, unfair competition and dilution. Defendants lack sufficient information or belief to answer the remaining allegations of paragraph 65 of the Complaint and, basing their denial on that ground, deny each and every remaining allegation therein.

66. Defendants deny the allegations contained in paragraph 66 of the Complaint.

67. Defendants deny the allegations contained in paragraph 67 of the Complaint.

68. Defendants deny the allegations contained in paragraph 68 of the Complaint.

69. In answer to paragraph 69 of the Complaint, Defendants admit that Aviator Nation and adidas have traded letters, emails, telephone calls and participated in a mediation to resolve this dispute and that all parties and their counsel participated in that mediation remotely, but that they were unable to mediate their dispute to resolution. Defendants lack knowledge or information sufficient to form a belief about the truth of the remaining allegations of paragraph 69 of the Complaint and, basing their denial on that ground, deny each and every such remaining allegation therein.

FIRST CLAIM FOR RELIEF

(Federal Trademark Infringement)

70. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.

71. Defendants deny the allegations contained in paragraph 71 of the Complaint.

72. Defendants deny the allegations contained in paragraph 72 of the Complaint.

73. Defendants deny the allegations contained in paragraph 73 of the Complaint.

74. Defendants deny the allegations contained in paragraph 74 of the Complaint.

75. Defendants deny the allegations contained in paragraph 75 of the Complaint.

76. Defendants deny the allegations contained in paragraph 76 of the Complaint.

SECOND CLAIM FOR RELIEF

(Federal Unfair Competition)

77. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.

78. Defendants deny the allegations contained in paragraph 78 of the Complaint.

79. Defendants deny the allegations contained in paragraph 79 of the Complaint.

80. Defendants deny the allegations contained in paragraph 80 of the Complaint.

81. Defendants deny the allegations contained in paragraph 81 of the Complaint.

82. Defendants deny the allegations contained in paragraph 82 of the Complaint.

THIRD CLAIM FOR RELIEF

(Federal Trademark Dilution)

83. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.

84. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 84 of the Complaint and, basing their denial on that ground, deny each and every allegation therein.

85. Defendants deny the allegations contained in paragraph 85 of the Complaint.

86. Defendants deny the allegations contained in paragraph 86 of the Complaint.

87. Defendants deny the allegations contained in paragraph 87 of the Complaint.

88. Defendants deny the allegations contained in paragraph 88 of the Complaint.

FOURTH CLAIM FOR RELIEF

(State Trademark Dilution and Injury to Business Reputation)

89. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.

90. Defendants lack knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 90 and, basing their denial on that ground, deny each and every allegation therein.

91. Defendants deny the allegations contained in paragraph 91 of the Complaint.

92. Defendants deny the allegations contained in paragraph 92 of the Complaint.

93. Defendants deny the allegations contained in paragraph 93 of the Complaint.

94. Defendants deny the allegations contained in paragraph 94 of the Complaint.

95. Defendants deny the allegations contained in Paragraph 95 of the Complaint.

FIFTH CLAIM FOR RELIEF

(Unfair and Deceptive Trade Practices)

96. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.

- 97. Defendants deny the allegations contained in paragraph 97 of the Complaint.
- 98. Defendants deny the allegations contained in paragraph 98 of the Complaint.
- 99. Defendants deny the allegations contained in paragraph 99 of the Complaint.
- 100. Defendants deny the allegations contained in paragraph 100 of the Complaint.

SIXTH CLAIM FOR RELIEF

(Common Law Trademark Infringement and Unfair Competition)

- 101. Defendants repeat and incorporate by reference the answers in the preceding paragraphs.
- 102. Defendants deny the allegations contained in paragraph 102 of the Complaint.
- 103. Defendants deny the allegations contained in paragraph 103 of the Complaint.
- 104. Defendants deny the allegations contained in paragraph 104 of the Complaint.
- 105. Defendants deny the allegations contained in paragraph 105 of the Complaint.
- 106. Defendants deny the allegations contained in paragraph 106 of the Complaint.

SEVENTH CLAIM FOR RELIEF

(Breach of Contract Against Aviator Nation Only)

- 107. Aviator Nation repeats and incorporates by reference the answers in the preceding paragraphs.
- 108. Aviator Nation lacks knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 108 of the Complaint and, basing its denial on that ground, deny each and every allegation therein.
- 109. Aviator Nation lacks knowledge or information sufficient to form a belief about the truth of the allegations of paragraph 109 of the Complaint and, basing its denial on that ground, deny each and every allegation therein.
- 110. In answering paragraph 110 of the Complaint, Aviator Nation admits the 2022 Agreement speaks for itself and denies the remaining allegations of paragraph 110.

111. Aviator Nation denies the allegations contained in paragraph 111 of the Complaint.

112. Aviator Nation denies the allegations contained in paragraph 112 of the Complaint.

113. Aviator Nation denies the allegations contained in paragraph 113 of the Complaint.

114. In answer to the allegations contained in paragraph 114 of the Complaint, Aviator Nation admits that the 2022 Agreement speaks for itself and denies the remaining allegations of paragraph 114.

DENIAL OF ADIDAS' PRAYER FOR RELIEF

In response to the clause following Paragraph 114 of the Complaint, Defendants deny the averments contained in the Prayer for Relief and further deny that adidas is entitled to any relief whatsoever against Defendants.

AFFIRMATIVE DEFENSES

Without assuming the burden of proof where it otherwise lies with adidas, Defendants assert the following affirmative defenses to the Complaint:

FIRST AFFIRMATIVE DEFENSE

(Failure to State a Claim)

The Complaint and each purported cause of action therein fail to state facts sufficient to constitute a cause of action against Defendants.

SECOND AFFIRMATIVE DEFENSE

(Statute of Limitations/Laches/Estoppel/Acquiescence)

Aviator Nation has designed, manufactured, marketed and sold striped clothing since its inception in 2006. On information and belief, adidas has known about Aviator Nation's sale of four- and five-stripe apparel designs since at least 2012. Accordingly, the Complaint is barred in whole or in part by the statute of limitations, laches, estoppel and/or acquiescence.

THIRD AFFIRMATIVE DEFENSE

(Unclean Hands)

adidas is misusing its “Three-Stripe Mark” to bully Defendants away from designing, making, marketing and/or selling apparel incorporating two-, four-, and five-striped design elements, no matter their width, length, composition, direction, placement, spacing, color or other distinguishing features. adidas has led Aviator Nation to believe that it would not object to Aviator Nation’s manufacture and sale of two-, four-, and five-striped apparel designs only to lie in wait while, on information and belief, adidas developed new multi-colored three-striped clothing designs inspired by Aviator Nation’s own product designs and while Aviator Nation’s success grew over many years, so that adidas could return to complain about different designs, and differently-numbered striped designs, to exact further concessions and settlements that would unjustly enrich themselves and unfairly restrict Aviator Nation’s design options, all at Aviator Nation’s expense and to its detriment, and with no discernible benefit to consumers. Accordingly, the Complaint is barred in whole or in part by the doctrine of unclean hands.

FOURTH AFFIRMATIVE DEFENSE

(Aviator Nation’s Ownership of Valid Trademark Registrations)

All, or alternatively, certain of Aviator Nation’s garments at issue include, or incorporate, Aviator Nation’s own valid and registered four- and five- multi-colored stripe designs including U.S. Trademark Registration Nos. 4550367, 4623495, 4707772, 5076084, and 5466926. Those valid registrations are a complete bar to a dilution action under federal law, common law, and other state statutes and laws, and Ms. Mycoskie has engaged in no wrongdoing whatsoever.

FIFTH AFFIRMATIVE DEFENSE

(Classic Fair Use; Utilitarian and/or Aesthetically Functionality Defenses)

Consumers should not be denied access to, and Aviator Nation should not be prohibited from using, striped design elements on apparel that are aesthetically pleasing. Stripes are common, sought-after design elements used on apparel for decades, if not centuries, before adidas’ use of

three stripes. Aviator Nation should not have to add many more than three stripes to its apparel to avoid adidas' narrowly-circumscribed product design trade dress rights as, to do so, would make it more costly, less aesthetically attractive, commercially impracticable, or, depending on those stripes' articulation and placement on a garment, impossible, for Aviator Nation to design, make, market and sell striped apparel to consumers. Accordingly, the Complaint is barred in whole or in part by the doctrine of classic fair use and utilitarian and/or aesthetic functionality defenses.

SIXTH AFFIRMATIVE DEFENSE

(Failure to Mitigate Alleged Damages)

On information and belief, adidas failed to take reasonable steps to mitigate, alter, reduce, or otherwise diminish its alleged damages, and accordingly, is barred from recovery of any damages that might have been prevented by such mitigation.

SEVENTH AFFIRMATIVE DEFENSE

(Failure to Perform Agreement and/or Release)

On information and belief, the Complaint is barred in whole or in part by adidas' breach or failure to perform the 2022 Settlement Agreement that it asserts is breached for its seventh cause of action, or other agreements between Aviator Nation and adidas, and by adidas' release of claims in those agreements and the 2022 Settlement Agreement.

EIGHTH AFFIRMATIVE DEFENSE

(Preemption by Federal Law)

adidas' claims are barred in whole or in part because they are preempted by federal patent law, federal copyright law, federal antidilution law, and/or Aviator Nation's federal trademark registrations.

NINTH AFFIRMATIVE DEFENSE

(Mistake)

adidas' breach of contract claim is barred in whole or in part by the doctrines of unilateral, mutual and/or latent ambiguity mistake, misapprehension and/or surprise.

TENTH AFFIRMATIVE DEFENSE

(Indefiniteness)

adidas' breach of contract claim is barred in whole or in part by the indefiniteness doctrine.

ELEVENTH AFFIRMATIVE DEFENSE

(Misrepresentation and/or Concealment)

adidas' breach of contract claim is barred in whole or in part by the doctrines of intentional or negligent misrepresentation and/or concealment.

TWELFTH AFFIRMATIVE DEFENSE

(Ambiguity and/or Parol Evidence)

adidas' breach of contract claim is barred in whole or in part based on proper application of the ambiguity and/or parol evidence rules.

THIRTEENTH AFFIRMATIVE DEFENSE

(Excuse and/or Discharge)

adidas' breach of contract claim is barred in whole or in part based on the doctrines of excuse and/or discharge of condition by actual breach, anticipatory repudiation, substantial performance, divisibility of contract, release and/or lapse.

FOURTEENTH AFFIRMATIVE DEFENSE

(Reformation)

adidas' breach of contract claim is barred in whole or in part based on the doctrine of reformation.

FIFTEENTH AFFIRMATIVE DEFENSE

(Offset/Setoff)

The Complaint is barred in whole or in part by the doctrines of offset and/or setoff.

RESERVATION OF RIGHTS TO ALLEGE OTHER AFFIRMATIVE DEFENSES

Defendants hereby give notice that they intend to rely upon such other and further defenses as may become available or apparent during the discovery proceedings in the action and hereby

reserve the right to amend their Answer to the Complaint and to assert any such further defense or claim by appropriate motion.

DEFENDANTS' PRAYER FOR RELIEF

WHEREFORE, as to adidas' Complaint, Defendants pray for entry of judgment as follows:

1. That adidas takes nothing by virtue of the Complaint;
2. For costs of suit incurred herein;
3. For reasonable attorneys' fees and costs incurred herein; and
4. For such other and further relief as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

As to adidas' Complaint, Defendants respectfully demand a trial by jury on all claims and issues so triable.

COUNTERCLAIMS

For its Counterclaims against Counterdefendants adidas America, Inc. and adidas AG (collectively, "adidas"), Counterclaimant Aviator Nation, Inc. ("Aviator Nation") avers as follows:

PARTIES

1. Aviator Nation is a California corporation having its principal place of business at 6363 Regent Street, Huntington Park, California 90255.
2. On information and belief, adidas AG is a German joint stock company having its principal place of business at Postach 11230, D-91072 Herzogenaurach, Federal Republic of Germany.
3. On information and belief, adidas America, Inc. is an Oregon corporation having its principal place of business at 5055 N. Greeley Avenue, Portland, Oregon 97217.

JURISDICTION AND VENUE

4. This Court has subject matter jurisdiction over these Counterclaims for breach of contract and declaratory relief under 28 U.S.C. § 1367 and 28 U.S.C. § 2201(a).
5. adidas have submitted themselves to the jurisdiction of this Court.

6. Venue is proper in this District under 28 U.S.C. §§ 1391(b) and 1391(c).

FACTUAL BACKGROUND

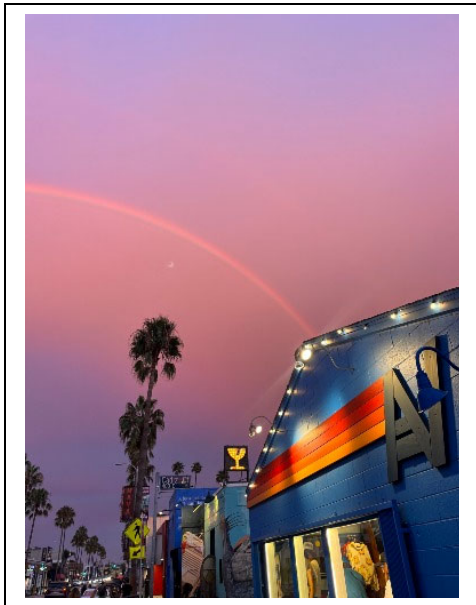
A Brief History of Aviator Nation

7. Aviator Nation (<https://www.aviatornation.com/>) is a 1970's-inspired California lifestyle apparel brand founded by Paige Mycoskie in 2006.

8. Born out of her garage in Venice Beach, where Ms. Mycoskie spent nights teaching herself how to sew after working day shifts at a local surf shop, Aviator Nation has spent the last two decades earning international acclaim by experimenting with, designing, perfecting, manufacturing, marketing and selling expertly distressed, hand-sewn hoodies, sweatpants, outerwear and other apparel from the finest and most comfortable fabrics out of its headquarters in Los Angeles, California.

9. From humble beginnings, Aviator Nation now employs nearly 300 employees and has opened 19 destination retail locations across the country, including Venice, CA (2009), Malibu, CA (2014), Haight Ashbury/San Francisco, CA (2015), Aspen, CO (2017), Austin, TX (2018), North Shore, Oahu, HI (2019), Miami, FL (2019), Las Vegas, NV (2020), Vail, CO (2021), The Hamptons, NY (2023), New York City, NY (2023), and Nashville, TN (2024).

Aviator Nation, Venice, CA



Aviator Nation, Miami, FL



Aviator Nation, Aspen, CO



Aviator Nation, Laguna Beach, CA



Aviator Nation, Las Vegas, NV



Aviator Nation, Austin, TX



10. Through brick-and-mortar locations of its own, brand partnerships with carefully selected boutiques and high-end retailers, and a well-established online presence, Aviator Nation has built a brand identity, and developed a global niche, that people know and seek out by name and reputation.

11. For nearly 20 years, Aviator Nation and Ms. Mycoskie have been making news in the United States and abroad. From older stories about Aviator Nation's meteoric rise (*see, e.g.,* <https://www.dailymail.co.uk/femail/article-2442067/Making-worn-clothes-skip-thrift-store-Paige-Mycoskie-sister-TOMS-founder-looks-70s-award-winning-fashion-label.html>; <https://www.prnewswire.com/news-releases/gap-launches-second-limited-edition-collection-with-gq-best-new-menswear-designers-in-america-225012882.html>), to stories about its

employee- and community-centric mission (*see, e.g.,* <https://www.barrons.com/articles/good->

PAGE 20 –ANSWER AND AFFIRMATIVE DEFENSES TO PLAINTIFFS
ADIDAS AMERICA, INC. AND ADIDAS AG'S FIRST
AMENDED COMPLAINT; COUNTERCLAIMS FOR
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[company-how-aviator-nation-thrives-by-putting-employees-and-community-first-01586450876](#); <https://www.eonline.com/news/803745/trendsetters-at-work-aviator-nation>; <https://www.forbes.com/sites/meimeifox/2021/09/10/why-these-3-female-founded-and-owned-brands-are-made-in-la/>), to columns in style and fashion sections of prominent newspapers and magazines (see, e.g., <https://www.gq.com/story/what-happened-in-vegas-aviator-nation-one-season-later>; <https://www.latimes.com/fashion/alltherage/la-ig-paige-mycoskie-20130519-story.html>; <https://www.maxim.com/rides/new-honda-rebel-motorcycle-2017-3/>), and features on Ms. Mycoskie herself (see, e.g., <https://www.forbes.com/video/6307656859112/how-selling-160-sweatpants-turned-a-socal-surfer-into-one-of-americas-richest-women/>), the tale of Aviator Nation's pursuit and eventual grasp of the American Dream has been widely covered in industry news and otherwise.

12. In 2023, Ms. Mycoskie was recognized by Forbes Magazine as one of America's most successful self-made women. To watch Ms. Mycoskie describe Aviator Nation's backstory and mission herself, her interview with Forbes can be found online at: <https://www.forbes.com/sites/jemimamcevoy/2023/06/03/aviator-nation-owner-is-richer-than-ever-as-socal-surfer-brand-arrives-in-new-york/>.

13. Aviator Nation's unique approach to fashion design and the business of fashion, combined with its commitment to creating one-of-a-kind wearable pieces of art, have indisputably resonated with its customers. Through its team's tireless efforts and its own merit alone, Aviator Nation annual revenues have grown from nothing to nine figures in less than 20 years.

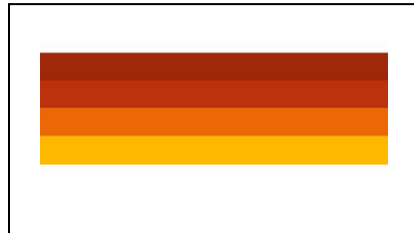
Aviator Nation's Trademark Registrations and Apparel Designs

14. Since its inception, Aviator Nation has invested innumerable hours and millions of dollars into developing the intellectual property represented in its unique suite of trade and service marks, trade dress, and copyrighted apparel designs. As evidenced by the sampling of Aviator Nation's incontestable federal trademark registrations depicted below, many of these registrations include four- and five- multi-colored stripe elements. adidas never, at any time, opposed or

otherwise petitioned the United States Patent and Trademark Office to cancel any of these registrations claiming they were likely to be confused with the “Three-Stripe Mark”:



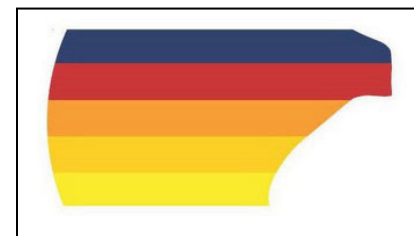
U.S. Reg. No. 3,662,517 – *incontestable*, registered on August 4, 2009 in International Class 25 for “Hats; Jackets; Jeans; Polo shirts; Sandals; Shirts; Shoes; Shorts; Sweat pants; Sweat shirts; T-shirts.” See **Exhibit A**.



U.S. Reg. No. 5,466,926 – *incontestable*, registered on May 15, 2018 in International Class 25 for “Head wear; Pants; Shirts; Shorts; Sweat jackets; Sweat shirts; Sweat suits; T-shirts.” See **Exhibit B**.



U.S. Reg. No. 4,623,495 – *incontestable*, registered on October 21, 2014, in International Classes 18 and 25 for “Duffle bags; Textile shopping bags” and “Hats; Jackets; Jeans; Sandals; Shirts; Shoes; Shorts; Sweat jackets; Sweat shirts; Sweat suits; T-shirts.” See **Exhibit C**.



U.S. Reg. No. 5,076,084 - *incontestable*, registered on November 8, 2016, in International Class 25 for “Hats; sweat jackets; sweat shirts; sweat suits; T-shirts; jackets; pants; shirts; shoes; shorts.” See **Exhibit D**.



U.S. Reg. No. 4,550,367 - *incontestable*, registered on June 17, 2014, in International Class 25 for “Jackets; Jeans; Pants; Shirts; Shoes; Shorts.” See **Exhibit E**.

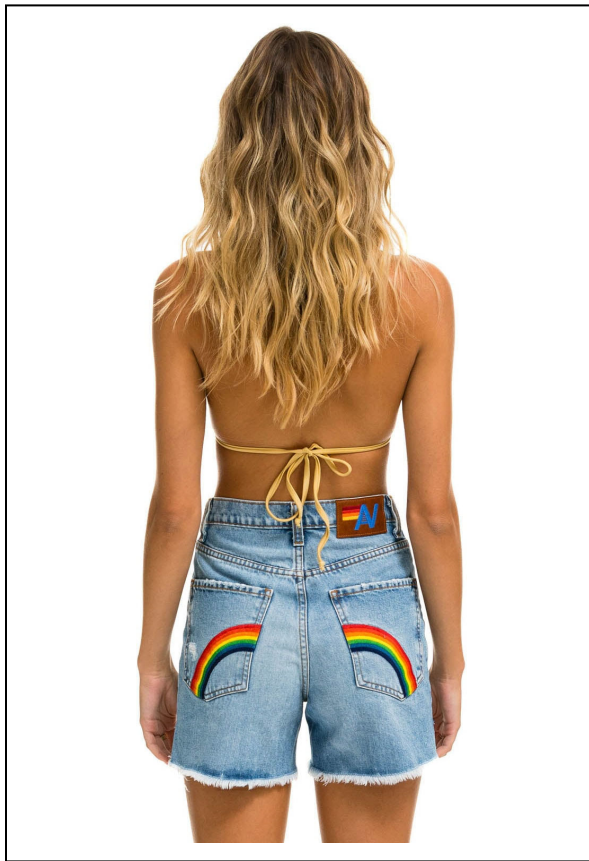
15. Drawing from 1970's California nostalgia, Aviator Nation's handcrafted garments incorporate a variety of fun and colorful elements such as tie-dyes, rainbows, hearts, surfing and skiing imagery, lightning bolts, sunbursts, checkers, plaid, and, yes, stripes.

16. Each garment made and sold by Aviator Nation includes conspicuously placed, many times oversized, Aviator Nation four- and five- multi-colored stripe trademarks, logos, labels, and other brand designations such that its apparel is unmistakably its own.

17. A small sampling of Aviator Nation's apparel designs are displayed below:







18. Making luxurious, hand-cut, single-stitched apparel with a vintage feel is not an easy or inexpensive undertaking, especially in California. Those attributes, combined with Aviator Nation's strong brand and public awareness, which help to put Aviator Nation apparel in a league of its own, come with a commensurate price tag. Aviator Nation's hoodies and sweaters typically retail for \$175 to \$650. Its sweatpants sell for \$148 to \$650, and its outerwear retails anywhere from \$395 up to \$1,500. Accordingly, when people shop for Aviator Nation's apparel, they know exactly what they are buying, and from whom they are buying it.

A Brief History of Aviator Nation's Dealings with adidas

19. Ever since its inception in 2006, Aviator Nation has made and sold a wide variety of garments with striped design elements, including four and five stripes. *See, e.g.,* <https://www.aviatornation.com/blogs/news/114245511-gq-the-complete-gq-for-gap-best-new-menswear-designers-in-america-2013-collection>; <https://www.dailymail.co.uk/femail/article-2442067/Making-worn-clothes-skip-thrift-store-Paige-Mycoskie-sister-TOMS-founder-looks-70s-award-winning-fashion-label.html>; <https://www.latimes.com/fashion/alltherage/la-ig-paige-mycoskie-20130519-story.html>.

20. After six years of operations and a groundswell of successes making it possible for Aviator Nation to open its first two flagship stores in Venice and Manhattan Beach, CA, it had its first two run-ins with adidas in 2012-2013.

21. During this two-year period, Aviator Nation entered into two settlement agreements with adidas in which it agreed, without any admission of wrongdoing, not to use certain garment designs that included three multi-colored stripe elements with which adidas took exception. Notably, adidas also specifically proposed, but then later abandoned, a provision that would have contractually barred Aviator Nation from selling apparel with four-stripe design elements. The deletion of this provision was critical to Aviator Nation, as many of its products, dating back nearly a decade, featured four-stripe design elements.

22. Instead of insisting on their prohibition, adidas specifically agreed that certain of Aviator Nation's two- and four-stripped clothing designs were not objectionable, and added those designs to the safe harbor provisions included in those agreements to give Aviator Nation some examples of striped designs to which adidas would not object. adidas expressly conceded in these agreements that these two- and four-stripe garment designs were not likely to infringe their "Three-Stripe Mark."

23. At no time during this period, did adidas ever complain about Aviator Nation's use of five-stripe design elements on any of its garments. On information and belief, adidas was aware of Aviator Nation's five-stripe garment designs since at least 2012, when it first complained about Aviator Nation's other garments.

24. After 2013, Aviator Nation continued conspicuously making and selling apparel with four- and five-stripe design elements, including some of its better selling garments, which designs were, on information and belief, known to adidas and the consuming public. *See, e.g.*, <https://www.eonline.com/news/803745/trendsetters-at-work-aviator-nation>; <https://www.gq.com/story/aviator-nation-lollapalooza>; <https://mr-mag.com/aviator-nation-continues-partnership-global-citizen/>; <https://www.maxim.com/rides/new-honda-rebel-motorcycle-2017-3/>; <https://la.racked.com/2016/6/16/11955420/aviator-nation-laguna-beach-store-photos#0>; <https://wwd.com/feature/aviator-nation-store-in-laguna-beach-10454521/>; <https://wwd.com/feature/aviator-nation-store-in-laguna-beach-10454521/>.

25. Five years later, in 2018, adidas darkened Aviator Nation's doorstep again. This time, *and for the first time*, adidas claimed that certain of Aviator Nation's apparel with four- and five-stripe design elements infringed their "Three-Stripe Mark."

26. In 2019, adidas sued Aviator Nation (the "2019 Lawsuit"), accusing more than one hundred garments with four- and five-stripped design elements, but not hundreds of others with those same elements, of infringement and unfair competition.

27. Relying on their previous settlement agreements; the visual and commonsense differences between three and four stripes, and three and five stripes; the rights of all fashion designers to fairly use striped designs; adidas' failure to complain of Aviator Nation's uses of four- and five-stripe designs for more than a decade; Aviator Nation's own trademark registrations for its multi-colored four- and five-striped designs, which adidas never opposed during prosecution, and which designs Aviator Nation used on many of those accused products; and, most importantly, Aviator Nation's own branding and logos which conspicuously adorn every garment it sews and sells, Aviator Nation litigated that case more thoroughly until it could secure a settlement agreement that gave it future design predictability to best ensure it would never have to deal with adidas again.

28. In 2022, Aviator Nation and adidas spent months negotiating a settlement agreement (the "2022 Agreement") that would settle the 2019 Lawsuit. Without any admission of wrongdoing, Aviator Nation promised to stop selling a limited number of four- and five-striped apparel designs after a negotiated phase-out period. Notwithstanding those promises, the parties explicitly carved out certain safe harbors and added objective measures that would, among other things, permit Aviator Nation to make changes to those designs, and create new designs, that adidas promised they would not complain about in the future. These provisions gave Aviator Nation contractual protections from adidas' further weaponization of litigation based on their subjective views as to which of Aviator Nation's garments with four- and five-stripe design elements purportedly infringed their "Three-Stripe Mark."

29. During the phase-out period, Aviator Nation relied on the negotiated language of the 2022 Agreement and spent months and substantial sums redesigning many of its garments with stripe design elements to comply with its terms.

30. Aviator Nation also consulted, and continues to consult, the 2022 Agreement when making new garment designs with stripe elements.

31. Notwithstanding the 2022 Agreement’s plain language and Aviator Nation’s months of efforts thereafter, in January 2024, adidas sent Aviator Nation yet another threatening letter about its use of striped designs. This time, adidas complained about 14 Aviator Nation garments with five-stripe design elements—some that were altered by Aviator Nation in reliance on the 2022 Agreement, and others that were made for the first time thereafter.

32. Each of these 14 designs are protected by the safe harbors and/or other contractual protections Aviator Nation negotiated into the 2022 Agreement.

33. adidas agreed in the 2022 Agreement not to assert any claims like those it asserts in this action regarding the designs protected by those contractual safe harbors.

34. As required by the 2022 Agreement, adidas and Aviator Nation prepared for and participated in a mediation to attempt to resolve this dispute. On the same day of that mediation, adidas filed the Complaint in this action, which has since been amended.

35. Aviator Nation now returns to this Court to seek and secure the freedom it contracted for, and the declaratory relief it needs, to continue to design its own line of clothing with five-stripe design elements without further interference from adidas.

36. The 14 designs at issue (*see, e.g., Exhibit F*) show that the five-stripe design elements are visible on each garment, even pixelated at a scale that fits onto letter-sized stationary, such that they are not likely to be confused with adidas’ “Three-Stripe Mark” and/or that they fit within the 2022 Agreement’s safe harbors. From other perspectives, those same garments show Aviator Nation’s logos, labels, signature green single-stitching, and other brand identifying features which make the garments visibly, and uniquely, Aviator Nation’s alone. By way of example, one of the designs at issue is featured below from various perspectives:



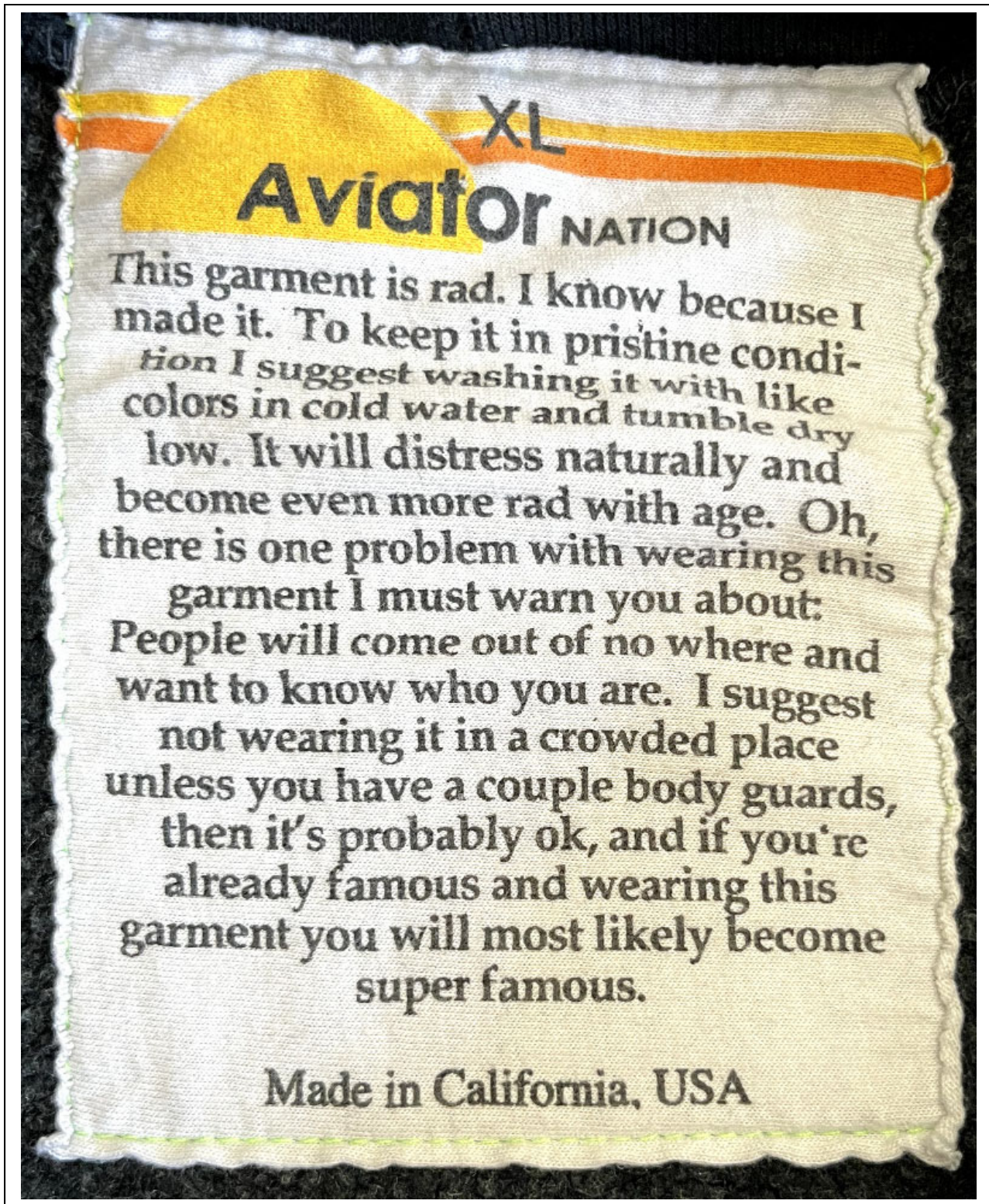
Profile view of the former garment showing head-on Aviator Nation's incontestable, federally-registered design mark, U.S. Reg. No. 4,623,495, positioned at the hip



Posterior view of the former garment showing Aviator Nation's signature green, single-stitched, rectangular border used to affix Aviator Nation's oversized label to the inside of the garment



Interior view of the former garment showing Aviator Nation's oversized label affixed near the collar and featuring prominently Aviator Nation's incontestable, federally-registered word mark, U.S. Reg. No. 3,662,517



FIRST COUNTERCLAIM FOR RELIEF

(Breach of Contract)

37. Aviator Nation repeats, realleges, and incorporates by reference the prior allegations of this Counterclaim as if fully set forth herein.

38. In the 2019 Lawsuit, adidas sued Aviator Nation for selling clothing with four- and five-stripe design elements asserting claims for, *inter alia*, trademark infringement and unfair competition.

39. Aviator Nation and adidas entered into a valid and enforceable Settlement Agreement in 2022, the 2022 Agreement, that resolved the 2019 Lawsuit.

40. The 2022 Agreement included certain safe harbor provisions.

41. adidas promised not to assert any claims against Aviator Nation for its manufacture, distribution, sale, and offer for sale of certain striped designs protected by those safe harbor provisions.

42. adidas breached the 2022 Agreement by asserting claims against Aviator Nation for its manufacture, distribution, sale, and offer for sale of apparel with five-stripped design elements protected by those safe harbor provisions included in the 2022 Agreement.

43. Aviator Nation has performed all conditions, covenants, and other obligations required of it under the 2022 Agreement.

44. As a direct and proximate result of adidas' breach of the 2022 Agreement, Aviator Nation has been damaged in an amount according to proof at trial.

45. Furthermore, the 2022 Agreement states that in the event of a breach by adidas, or an unsuccessful assertion of breach of the 2022 Agreement by adidas, Aviator Nation "will be entitled to recover its costs, including reasonable attorneys' fees." Accordingly, Aviator Nation is entitled to recover its costs and attorneys' fees resulting from adidas' breach of the 2022 Agreement and its unsuccessful assertion of breach of the 2022 Agreement.

SECOND COUNTERCLAIM FOR RELIEF

(Declaratory Relief)

46. Aviator Nation repeats, realleges, and incorporates by reference the prior allegations of this Counterclaim as if fully set forth herein.

47. This Counterclaim is a claim for declaratory relief under 28 U.S.C. § 2201(a).

48. adidas has created an actual and justiciable case or controversy by stating, via demand letters and in its Complaint, that Aviator Nation breached the 2022 Agreement and is selling garments with five-stripe design elements that infringe, unfairly compete with, or otherwise dilute adidas' Three-Stripe Mark.

49. Aviator Nation asserts that it is adidas who breached the 2022 Agreement by suing Aviator Nation for its manufacture, distribution, sale, and offer for sale of apparel with five-stripe design elements protected by the safe harbor provisions included in the 2022 Agreement and/or that is not infringing, unfairly competing with, or otherwise diluting adidas' Three-Stripe Mark. Aviator Nation seeks declarations to the foregoing effects so that it can continue to manufacture, distribute, sell, and offer for sale apparel with five-stripe design elements like the designs now at issue, knowing it is protected from future and continuing disruption by adidas.

AVIATOR NATION'S PRAYER FOR RELIEF

WHEREFORE, as to its Counterclaims, Aviator Nation prays for entry of judgment as follows:

1. For direct, incidental, and consequential damages resulting from adidas' breaches of the 2022 Settlement Agreement;

2. For an order declaring that Aviator Nation's conduct, as alleged herein, does not constitute infringement, unfair competition or dilution under federal or state law or breach of the 2022 Agreement, and that it may continue to sell apparel with five-stripe design elements like the designs now at issue;

3. For costs of suit incurred herein;

4. For reasonable attorneys' fees and costs incurred herein; and

5. For such other and further relief as the Court may deem just and proper.

DEMAND FOR JURY TRIAL

As to its Counterclaims, Aviator Nation respectfully demands a trial by jury on all claims and issues so triable.

DATED: June 21, 2024

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